



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area was 3.6 percent for May 2003 as shown in Magic Valley Table 1. This was six-tenths of a percentage point lower than April 2003, and also six-tenths of a percentage point lower than May 2002. *Civilian Labor Force* was 7.0 percent higher year-over-year with an additional 3,540 persons. This unemployment rate was one of the lowest in the entire state of Idaho. Even with the increase in *Civilian Labor Force* there was also a 9.9 percent drop in the number of persons unemployed.

Sectors that showed significant increases from May 2002 were *Construction*, *Manufacturing*, *Transportation*, and *Educational & Health Services* with increases of 28.5, 13.5, 11.1, and 20.7 percent, respectively. The only sectors that had declines from last year are *Wholesale Trade* (-1.6 percent) and *Education* (- 8.7 percent). The entire Magic Valley LMA showed an increase of 5.3 percent in *Nonfarm Payroll Jobs* over the year. This is the largest May year-over-year gain in Idaho, which translates into 2,080 additional jobs.

Some extraordinary events occurred in 2002. Dell Computer Company opened in the former Albertsons on Poleline Road, and eight new retail, eating, and banking establishments opened on the canyon rim. Dell now employs over 700 persons, and about 400 new retailing and service jobs were created from the other new businesses. This growth has been remarkable given the condition of the national and state economy. The City of Twin Falls set a record for new housing starts in 2002 and is on record pace again in 2003. This has been fueled somewhat by extremely low interest rates, but there has also been significant in-migration. Two new major retailers, Best Buy and Sportsmen's Warehouse, are planning to open outlets in Twin Falls in the next few months and this will create approximately 200 full- and part-time retail jobs. Residential and

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	May 2003*	April 2003	May 2002	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	54,030	53,650	50,490	0.7	7.0
Unemployment	1,920	2,280	2,130	-15.8	-9.9
% of Labor Force Unemployed	3.6	4.2	4.2		
Total Employment	52,110	51,370	48,360	1.4	7.8
Unadjusted					
Civilian Labor Force	54,260	53,060	50,740	2.3	6.9
Unemployment	1,800	2,180	1,970	-17.4	-8.6
% of Labor Force Unemployed	3.3	4.1	3.9		
Total Employment	52,460	50,880	48,770	3.1	7.6
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	41,570	41,430	39,490	0.3	5.3
Goods-Providing Industries	8,070	7,700	6,860	4.8	17.6
Natural Resources & Mining	30	30	30	0.0	0.0
Construction	2,480	2,060	1,930	20.4	28.5
Manufacturing	5,560	5,610	4,900	-0.9	13.5
Food Manufacturing	3,600	3,650	3,050	-1.4	18.0
Other Manufacturing	1,960	1,960	1,850	0.0	5.9
Service-Providing Industries	33,500	33,730	32,630	-0.7	2.7
Trade, Transportation & Utilities	10,150	10,100	9,850	0.5	3.0
Wholesale Trade	1,810	1,810	1,840	0.0	-1.6
Retail Trade	5,930	5,890	5,820	0.7	1.9
Utilities	210	200	210	5.0	0.0
Transportation & Warehousing	2,200	2,200	1,980	0.0	11.1
Information	500	500	500	0.0	0.0
Financial Activities	1,870	1,770	1,660	5.6	12.7
Professional & Business Services	5,120	5,120	4,880	0.0	4.9
Educational & Health Services	3,620	3,600	3,000	0.6	20.7
Leisure & Hospitality	3,640	3,450	3,550	5.5	2.5
Other Services	1,490	1,430	1,390	4.2	7.2
Government Education	3,460	3,580	3,790	-3.4	-8.7
Government Administration	4,150	4,180	4,010	-0.7	3.5

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

heavy construction has caused a significant percentage increase in construction jobs and there appears to be no possibility of a downturn in the short term. Twin Falls especially is increasingly becoming a regional retail hub for South Central Idaho and northern Nevada. With the addition of many new retailers, Twin Falls is seeing much less "leakage" to Boise for retail needs that Twin Falls did not have, and this has helped stimulate the local economy and keep the dollars circulating in this area. The area has not remained totally unscathed from negative economic pressure, however. The Magic Valley LMA will see the loss of 108 full-time jobs at Moore North American as that company closes its Jerome facility in July.

The Mini-Cassia area will continue to see high unemployment for some period of time, and the contrast with the western Magic Valley is very pronounced. The area typically has a volatile and fluctuating unemployment rate because potato processors often have maintenance layoffs that can

cause occasional large upswings. These are frictional and expected. However, with large permanent or indefinite layoffs a "ratchet effect" takes place. This is where upswings in the unemployment rate become chronic and rates do not return to pre-layoff numbers even after expected maintenance layoffs are over. An additional 50 workers were permanently displaced from the J.R. Simplot Company in June as that facility continues to phase out toward an expected April 2004 closure date. McCain Foods is also displacing 125 workers indefinitely in the near future. This has caused expected stress to the local economy; however, the effect so far has been slightly less negative than expected in market-driven sectors such as retailing and services.

Voters in Burley recently passed a \$25 million sewer bond that will increase Burley's wastewater capacity to five million gallons. The construction phase of that project will create approximately 100 new construction jobs for two years with resulting economic benefits. This will also improve economic development prospects since the city infrastructure will now be able to handle virtually any company's wastewater needs. It is expected that the Mini-Cassia economy will slowly improve over the next few years as the state and national economies improve.

The Blaine County area, which includes Sun Valley and Ketchum, had a below average ski season. This was caused by terrorism fears and the war in Iraq, resulting in decreased travel in general nationwide. However, early spring and summer figures show that tourism is picking up and this is reflected in the number of persons at the visitors' centers. This is actually occurring in all of South Central Idaho. The slight drop off in numbers during ski season did not result in higher unemployment as the number of persons working remained stable in that area. *For more information on tourism in South Central Idaho, see the FYI article on page 21.*

Finally, agriculture in all of South Central Idaho has remained about average. Employment numbers are stable and crop prices are close to average. There is some concern about an over supply of potatoes with the announcement that Canada has 52 million hundredweight more potatoes than last year and potato processors have scaled back their contracts. Potato farmers will have to rely on an open market that can be very volatile. Dairy prices have been low but upward movement in dairy futures prices would seem to indicate that the price drop has "bottomed out" and will start rising again.

MAGIC VALLEY: Low Unemployment Rate, Yet Plentiful Labor

One perplexing question businesses ask when they consider locating in the western Magic Valley is, how can there be a plentiful labor supply when the unemployment rate is so low? The answer lies with three phenomena that are prominent in this area. First, wages tend to be low in this area of the state. The average wage is approximately \$10.00 per hour in the seven counties other

than Blaine County since many of the jobs tend to be service sector-related. The livable wage has been calculated at approximately \$15 per hour (in Blaine County it is over \$20 per hour), according to a wage gap study conducted by the Idaho Department of Labor. This results in wage underemployment or a wage gap of approximately 33 percent. This often necessitates multiple incomes for families to meet obligations; one person in the family has more than one job or two or more persons in the household work. Second, it is estimated that only 65 percent of the workforce in South Central Idaho receive any benefits such as health insurance and retirement. This leaves many families vulnerable to medical costs and other extraordinary expenses. Third, to a lesser degree, there are workers with high skills or education that, due to a shortage of professional jobs, are underemployed. All three of these factors make a workforce that is eager for change and excited about new job prospects, especially if those jobs include benefits. In some cases, workers will even take less money for jobs that include benefits or full-time work.

Applicant behavior is consistent with regard to wage and benefits. Jobs that pay minimum wage (\$5.15 per hour) up to \$8.00 per hour are subject to the normal supply and demand situation expected in a low unemployment area, especially if no benefits are involved. In those cases, businesses seldom have more than one applicant for every job. There are some exceptions if the business is a known entity and offers benefits. However, as the wage increases to over \$8.00 per hour with benefits, the results are astounding. Over the past ten years, such jobs in the Magic Valley have resulted in four to ten applicants for every job. In many cases, there have been as many as 30 applicants for every job. Thus far, this separation point has held true, and the trend is more pronounced as wage rises with many different types of employers. Such companies as Dell, Costco, Home Depot, Wal-Mart, WestFarm Foods, and Solo Cup, have all had ample job applicants.

Virtually every employer that pays good wages and benefits remark that the work ethic of the South Central Idaho workforce is excellent. In the case of national businesses, many remark that the work ethic and trainability of this area's workforce is the best they have seen in the nation. That reputation has led to Magic Valley's economic diversification and strength in good times as well as the present difficult economic times that exist.

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